

Message Text

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ACTION XMB-04

INFO OCT-01 AF-10 ISO-00 EB-08 AGRE-00 TRSE-00 CIAE-00
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FM AMEMBASSY MAPUTO
TO SECSTATE WASHDC 7186

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DEPT PASS EXIM BANK

E.O. 11652: N/A
TAGS: EIND, EPAP, MZ
SUBJECT: SENA SUGAR OUTLOOK -- GPRM RAISES CANE

1. STEFAN HORNUNG, REPRESENTING THE BRITISH OWNERSHIP OF SENA SUGAR ESTATES, HAS BEEN IN MOZAMBIQUE FOR NEARLY A MONTH TO DEAL WITH THE PRECARIOUS SITUATION OF MOZAMBIQUE'S LARGEST SUGAR PRODUCER. SENA HAS OPERATED AT A SUBSTANTIAL LOSS SINCE MOZAMBIQUE INDEPENDENCE AND A SECOND PROCESSING PLANT SCHEDULED TO OPEN LAST YEAR AT MARROMEU IS STILL INCOMPLETE.

2. SENA HAS BEEN KEPT AFLOAT WITH REPEATED OPERATING LOANS FROM THE BANK OF MOZAMBIQUE (BM). THE GPRM APPARENTLY WANTS TO KEEP SENA GOING TO MEET DOMESTIC NEEDS AND TO EARN HARD CURRENCY THROUGH EXPORT. HOWEVER, BM GOVERNOR SERGIO VIEIRA TOLD HORNUNG THAT IN 1977 LOAN REPAYMENTS, SALARY TRANSFERS, SPARE PARTS, FUEL, ETC., COST MOZAMBIQUE NINE MILLION DOLLARS IN HARD CURRENCY ON SENA'S BEHALF, WHILE SUGAR EXPORTS EARNED ONLY FIVE MILLION. HORNUNG CONFIRMED THAT THESE FIGURES ARE PROBABLY CORRECT.

3. SENA'S MANAGEMENT HAS PRIVATELY PROPOSED TO THE GPRM THAT SENA AND THE MOZAMBIQUE GOVERNMENT MAKE THE ESTATE A JOINT EQUITY VENTURE, WITH BM HOLDING 51 PERCENT AND SENA 49 PERCENT. WHILE
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THE GPRM HAS NOT REJECTED THIS PROPOSITION, VIEIRA DEMANDED, IN WHAT HORNUNG DESCRIBED AS A ROUGH MEETING, THAT SENA SEEK COMMERCIAL BANK PARTICIPATION IN ANY FUTURE LOANS. HORNUNG BELIEVES THAT UNDER PRESENT CONDITIONS, NO BANK WILL BE INTERESTED.

4. HANGING OVER HORNUNG'S VISIT WAS THE UNSPOKEN THREAT OF NATIONALIZATION. WHILE THIS IS UNDOUBTEDLY ONE OF THE OPTIONS ON THE

GOVERNMENT'S MIND, FOR THE TIME BEING THEY APPEAR TO BE GIVING SENA A CHANCE TO REMEDY SOME OF ITS SHORTCOMINGS AND OPEN THE MARROMEU FACILITY. HORNUNG TOLD EMBASSY THAT SENA HAS VERY LITTLE BARGAINING POWER, AND IF THE ENTERPRISE CONTINUES TO BE A NET FOREIGN-EXCHANGE LOSER, IT WOULD BE NO SURPRISE IF THE GPRM MOVED UNILATERALLY TO TAKE DIRECT CONTROL.

5. EXIMBANK HAS OUTSTANDING DIRECT LOANS TO SENA. IN 1977, ALL OF THE EXPORTED PRODUCTION WAS SOLD TO THE UNITED STATES.
DE PREE

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Message Attributes

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